

Audit & Finance Committee

August 13, 2008

Self-Insurance Reserve Policy

Establishment of Self-Insurance Reserve

■ Today's Objectives

- Background of Self-Insurance Fund
- Outstanding Liabilities and Existing Reserve Levels
- External Audit Comments and Recommendations
- Staff Recommendation

Self-Insurance Fund

Background

- For over 20 years the District has established a self-insurance program for three types of liability claims:
 - Workers' Compensation
 - Automobile Liability
 - General Liability Claims
- The self-insurance program is accounted for in the Self Insurance Fund, which is consolidated and reported in the General Fund for financial statement purposes

Self-Insurance Fund

Outstanding Liabilities and Existing Reserves

- Current outstanding liabilities = \$8.9 million
- Based on actuarially determined estimates of claims exposure
- Current year-end balance = \$13.4 million
- Remaining Difference = \$4.5 million (reserve balance)
- In 2008, Legislature passed \$3.9 million unanticipated general liability claims bill – depleting reserve

Self-Insurance Fund

External Auditor Comments & Recommendations

- Expressed concern that a reserve -- in excess of the estimated liability -- was maintained
- Management believes a reserve is prudent
- External Auditors recommend establishing a reserve policy – if reserves are warranted
- Management concurs with recommendation
- Based on an agency of the District's size and potential risk exposure allow reserves to be maintained not to exceed \$10 million

Self-Insurance Program

Recommended Reserve Policy

■ Staff Proposal:

Propose the Audit & Finance Committee recommend that the Governing Board adopt a policy allowing a reserve for self-insurance liabilities to be maintained that is no more than \$10 million in excess of actuarially determined claims liabilities.